

## Message Text

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ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 FEA-01 FPC-01 INT-05 AID-05  
CIAE-00 COME-00 EB-08 FRB-03 INR-07 NSAE-00  
USIA-06 TRSE-00 OPIC-03 SP-02 OMB-01 ERDA-05  
CEA-01 DODE-00 H-01 L-03 NSC-05 PM-05 OES-07  
SS-15 STR-05 ACDA-07 GSA-02 /113 W  
-----076384 290543Z /14

R 282332Z SEP 77  
FM AMEMBASSY MEXICO  
TO SECSTATE WASHDC 5309  
INFO AMCONSUL MONTERREY  
AMCONSUL MERIDA POUCH

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DEPT. PASS EXIM - BROISE, CRAFTON, MOORE; FEA - WEST,  
THOMPSON; FPC - CORNELIUS

E.O. 11652: N/A

TAGS: ENRG, EALR, EFIN, EMIN, BENC, BEXP, MX  
SUBJECT: NEW OPPORTUNITIES FOR EXIM FINANCING IN MEXICAN  
MINING AND OIL INDUSTRIES

1. SUMMARY. IN A CONVERSATION DEVOTED PRIMARILY TO  
POTENTIAL BORROWINGS FOR HIS MINING INTERESTS, ING.  
LARREA OUTLINED TYPE OF ONSHORE DRILLING CONTRACT THAT  
RFVERSES A 20-YEAR OLD POLICY IN THE MEXICAN PETROLEUM  
INDUSTRY. HE HOPES TO SIGN A CONTRACT IN THE NEXT FEW  
WEEKS.

2. EXIM REPS WHITE AND HUNT AND PETOFF MET WITH ING.  
JORGE LARREA TO DISCUSS EXIM LOANS TO TWO OF HIS COMPANIES,  
INDUSTRIAL MINERA MEXICO S.A. (IMMSA) AND MEXICANA DE  
COBRE (LA CARIDAD). LARREA OUTLINED EXPANSION PLANS FOR  
IMMSA AND INDICATED CONSIDERABLE INTEREST IN USING EXIM  
FINANCING TO EXPAND ZINC REFINERY AND COAL MINING CAPACITY.  
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HE ALSO SAID HE WOULD LIKE TO ACTIVATE A \$15 MILLION LOAN  
TO LA CARIDAD THAT HAS NEVER BEEN DRAWN DOWN. AT WHITE'S  
SUGGESTION, HE SAID HE WOULD CONTACT CRAFTON OR OTHER  
EXIM OFFICERS TO DISCUSS WHICH TYPE OF BORROWING WOULD  
BEST SUIT HIS NEEDS.

3. DURING THE COURSE OF THE DISCUSSIONS, LARREA MENTIONED  
A NEW VENTURE HE IS INVOLVED IN WITH PEMEX. FOR A NUMBER

OF YEARS, PETROLEUM UNION WORKERS HAVE HAD A VIRTUAL MONOPOLY ON ONSHORE PRODUCTION DRILLING AND WELL COMPLETION. SUBCONTRACTORS COULD ONLY DRILL EXPLORATORY, RIVERINE AND MARINE WELLS. IN CONTRACT NEGOTIATIONS CONCLUDED IN AUGUST 1977, PEMEX WON UNION AGREEMENT TO ALTER THE CLAUSE THAT OUTLAWED SUBCONTRACTING PRODUCTION DRILLING.

4. LARREA IS CURRENTLY NEGOTIATING A CONTRACT ON BEHALF OF ONE OF HIS OWN COMPANIES, ALVARO MORPHY, AND AN UNNAMED THIRD FIRM. EACH COMPANY WOULD OPERATE FOUR, MEXICAN-BUILT, DEEP DRILLING RIGS ON CONTRACT TO PEMEX FOR ONSHORE DRILLING. LARREA IS VERY INTERESTED IN POSSIBLE EXIM FINANCING FOR THE RIGS WHICH, ALTHOUGH THEY ARE BUILT IN MEXICO BY A DIVISION OF EMPRESAS LANZAGORTA, HAVE A SUBSTANTIAL PERCENTAGE OF US (DRESSER) TECHNOLOGY. WHILE LARREA'S FIRM WOULD HAVE LITTLE DIFFICULTY IN FINANCING ITS SHARE OF THE \$71 MILLION RIG ACQUISITION COSTS, THE OTHER COMPANIES COULD ENCOUNTER CONSIDERABLE PROBLEMS IN RAISING FUNDS AT REASONABLE INTEREST RATES.

5. PEMEX WILL PAY THE SUBCONTRACTORS A SPECIFIC RATE PER FOOT DOWN TO A DEPTH OF 4000M AND THEN A DAILY RATE. CONTRACTORS WILL BOTH DRILL AND COMPLETE WELLS. ACCORDING TO LARREA, PEMEX'S PRINCIPAL REASON FOR TURNING TO SUBCONTRACTORS IS TO IMPROVE UPON THE SUBSTANDARD UTILIZATION RATES OF UNION OPERATED RIGS. LUCEY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
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**Concepts:** POLICIES, MINING INDUSTRY, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 28-Sep-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
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**Film Number:** D770354-1079  
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**Office:** ACTION XMB  
**Original Classification:** LIMITED OFFICIAL USE  
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**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
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**SAS ID:** 1104484  
**Secure:** OPEN  
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**Subject:** NEW OPPORTUNITIES FOR EXIM FINANCING IN MEXICAN MINING AND OIL INDUSTRIES  
**TAGS:** ENRG, EALR, EFIN, EMIN, BENC, BEXP, MX, XMB, (LARREA, JORGE)  
**To:** STATE  
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